



State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt  
Governor

Kathleen Clarke  
Executive Director

Lowell P. Braxton  
Division Director

1594 West North Temple, Suite 1210

PO Box 145801

Salt Lake City, Utah 84114-5801

801-538-5340

801-359-3940 (Fax)

801-538-7223 (TDD)

March 15, 2001

Mr. Steve Flechner  
North Lily Mining Company  
1800 Glenarm Place  
Denver, Colorado 80202

Re: Approval of Request for Partial Bond Release, North Lily Mining Company, Tintic Project,  
M/023/007, Juab County, Utah

Dear Mr. Flechner:

On January 25, 2001, North Lily made a formal request for partial bond release for reclamation work completed at North Lily's Tintic Project. North Lily requested that \$99,540 be released from the total reclamation bond of \$191,500. The reduction amount was based upon the itemized costs contained in the current reclamation bond estimate. Your letter requested credit for the following reclamation tasks:

- 1/2 equipment mobilization costs
- heap recontouring/reshaping
- partial completion of site ripping
- deletion of topsoil replacement requirement & application of composted manure
- reseeding of recontoured heap (no dollars requested at this time)

We have reviewed the reclamation tasks performed and the dollar amounts requested. Division staff have performed onsite inspections confirming that these tasks are complete. With the exception of the equipment mobilization costs, we believe that a partial bond release is justified. The equipment mobilization cost was not released because overall site reclamation has not been completed yet. The construction equipment will need to be brought back to the site to complete the final reclamation.

*It is important to note that we have also given credit for additional reclamation tasks (and some contingency costs) that have been completed but were not requested in your January 25<sup>th</sup> letter. These credits are outlined in the revised bond estimate (copy attached).*

When the most recent \$191,500 reclamation bond estimate was calculated, no decision had been made regarding what treatment method would be used to handle the heap drain-down solutions. This reclamation cost was accordingly not included in the bond estimate. Design plans for a subsurface leach field has recently been prepared and submitted to the Division and DWQ to handle the residual drain-down solution. This system will become an integral part of the closure plan for this project. Accordingly, the anticipated construction costs need to be included in the cost estimate at this time.

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Steve Flechner  
North Lily Mining Company  
March 15, 2001

JBR has recently provided estimated construction costs for the proposed draindown system to the Division. We have added our standard contingency and escalation costs to the estimate. Because this site will also require post-closure monitoring and water sampling for an extended period of time, projected costs for these activities have also been included in the surety calculation. The total projected cost for the post-closure fluid management system and the long term monitoring is estimated at \$85,400.

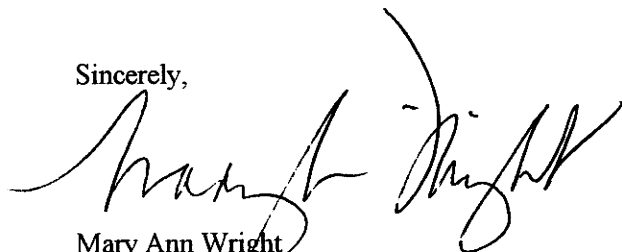
A revised reclamation cost estimate is attached reflecting the Division's updated calculations. Roughly \$121,800 would have been eligible for release before the \$85,400 post-closure fluid management system and monitoring costs were factored into the bond estimate. The balance that can now be released for the completed reclamation work is \$36,400.

The Division will proceed to forward the necessary paperwork to your banking institution authorizing release of these funds to North Lily for direct application and use in completing the remaining closure and reclamation tasks at the Tintic project site.

The Division wishes to thank North Lily for moving forward with the reclamation of this site through some difficult situations. We look forward to the completion of the reclamation of the site this summer.

If you have any questions in this regard, please call me or Wayne Hedberg of my staff at (801) 538-5306 and 538-5286, respectively.

Sincerely,



Mary Ann Wright  
Associate Director, Mining

jb  
Attachment: Revised Reclamation Cost Estimate  
cc: Dennis Frederick, DWQ  
Bob Bayer, JBR  
Wayne Hedberg, DOGM  
Doug Jensen, DOGM  
M23-07.BondRed.doc

**RECLAMATION SURETY ESTIMATE**

North Lily Mining Company

last rev. 03/01/01

Tintic Project

filename M023-00

M/023/007

Juab County

Prepared by Utah State Division of Oil, Gas &amp; Mining

-This estimate uses a D8 size dozer for most earthwork

**Acreage Totals**

Heaps - 16.6 Buildings - 1 Topsoil Area - 3.2 Borrow - 2.6 Ponds - 1.2

					Status	Release Requested	Release Authorized
Note: actual unit costs may vary according to site condition last unit cost updat					08/25/99		
-Amount of disturbed area which will receive reclamation treatments				24.6 acres			
-Estimated total disturbed area for this mine =				24.6 acres			
Activity	Quantity	Units	\$/unit	\$			
Demolition of buildings & facilities	1	lump su		5,000			
Debris & equipment removal - trucking	10	trips	48	480			
Debris & equipment removal - dump fees	100	ton	55	5,500			
Debris & equipment removal - loading trucks w/F	16	hours	176	2,816			
Demolition & debris removal - general labor	60	hours	15	900			
Regrading facilities areas (1 ft depth)	1.0	acre	470	470			
Hazardous Waste Disposal	1	lump su	10000	10,000	partial		\$8,500
Regrading heap slopes	26,000	CY	0.47	12,220	Comp.	\$12,220	\$12,220
Regrade Solution Ponds	12,000	CY	0.47	5,640			
Ripping stockpile & compacted areas	5.8	acre	220	1,276	partial		\$572
Ripping site - prior to seeding	18.8	acre	220	4,136	partial	\$3,160	\$3,160
Topsoil replacement - truck & FE loader	38,000	CY	2.55	96,900	partial	\$77,520	\$77,520
Composted manure (10 ton/acre)	24.6	acre	300	7,380	partial	\$5,640	\$5,640
Broadcast seeding	24.6	acre	170	4,182	partial		\$3,100
General site cleanup & trash removal	21.4	acre	50	1,070			
Equipment mobilization	2	equip	1000	2,000	Incomp.	\$1,000	\$0
Reclamation Supervision	10	days	372	3,720			
		Subtotal		163,690	Subtotal	\$99,540	\$110,712
10% Contingency				16,369			\$11,071
		Subtotal		\$180,059			\$121,783
Escalate for 2 years at 3.13% per yr				11,448			
		Total		\$191,507			
		Rounded surety amount in yr 2002-\$		\$191,500			
Average cost per disturbed acre =				\$7,785			

**Bonding Calculations for Additional Activities**

Costruction of Post Closure Fluid Management System	Lump Sum		\$59,798.00
Construction Supervision	8 Days	\$372	\$2,976.00
Post-Closure Monitoring/analysis	5 years	per year \$1500	\$7,500.00
Labor, sample collection, sample prep and handling, data reporting, site mgmt.	5 year	\$1,000	\$5,000.00
	Subtotal		\$75,274.00
10% Contingency			\$7,527.40
	Subtotal		\$82,801.40
Escalate for 1 years at 3.13% per yr			\$2,591.68
	Total		\$85,393.08
	Rounded Amount		\$85,400.00

North Lily bond Release Authorization	\$121,800.00
Additional Bonded Activities Cost	\$85,400.00

<b>Bond Amount Authorized for Release</b>	<b>Total</b>	<b>\$36,400.00</b>
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Present North Lily Bond Amount	\$191,500.00
Authorized Release Amount	\$36,400.00
<b>Bond Amount Remaining for Final Reclamation</b>	<b>\$155,100.00</b>